European referendum on the Brexit table

When looking at accounts, we split subsidy payments away from the enterprise, giving a true and clear picture of performance – clarity within the business. We often muse (and have done on these pages) about the effect of a reduction or subsidy change. In 2017 there will be the single largest economic event to affect the UK as a whole and UK Agriculture for a generation. What Brexit means should be on the agenda at every family meeting.

Eurosceptics will argue that withdrawal from Europe would reverse immigration, save the tax payer billions and free Britain from an economic burden. Europhiles counter that it would lead to economic uncertainty and cost millions of jobs. Financially the headline figures are massive. Last year UK Gross contribution was £19.23bn, UK CAP Basic Payment was £2.16bn, and after rebates the UK is a net contributor to Europe by £9.81bn. Are we simply talking about saving £9.81bn pa? Probably not but it's a compelling argument and thus it's important we begin to understand the more subtle issues. The NFU's excellent paper on UK Farming's relationship with the EU is a good start and armed with various other commentaries it's possible to see the bigger debate.

The economic argument is split between those suggesting the economy will suffer permanent losses on the back of weaker trade and investment versus those who say that freedom from the rules and associated costs that come with EU membership would make Britain more prosperous. There has to be an attraction to freedom from rules but, as an industry, can we really believe that DEFRA and Natural England are going to reduce the number of rules around our industry given their love of gold plating? Equally flawed is the simplistic suggestion that membership or otherwise of Europe really has an isolated impact on British trade and investment when the impact of Russia, China, India and the US are as material. Commentators suggest confusing and varying swings in GDP as a result of leaving the EU from + 11.5% UKIP to - 9.5% Guardian. While we are a net importer of agri-food products (£39.6bn), of our exports (£12.8bn) 73% goes to EU countries.

Commentators agree that the critical difference appears to relate to trade agreements. UK GDP could be lower if Britain leaves the EU and fails to strike a decent trade deal. But if the Brexit UK enters into a liberal trade arrangement with EU and the rest of the world, allied with deregulation, Britain could be better off in GDP terms. Importantly the UK is the rest of the EU's largest single export market, something that increases the chance of the UK securing a decent free trade agreement. Not having one would be difficult but not disastrous. It would place the UK in the same position as the US, along with India, China and Japan, all of which manage to export to the EU relatively easily. In trade terms the question ceases to be in or out but crucially whether or not we have the correct trade agreement in place. A subtle but significant change of focus for those trying to sift the evidence.

Labour availability is on the agenda, an essential priority for British farmers. EU membership has made the flow of peoples very straightforward. Some claim 3m jobs depend on membership of the EU because of the access to 500 million consumers and foreign (non-EU) firms investing in the UK with a view to accessing the EU market place. Many firms have openly contemplated leaving or scaling back in the UK in the event of a Brexit. However a large dose of caution is needed, the UK will still be an attractive place to do business. Implying millions of jobs or people would simply disappear is mischievous. Jobs are associated with trade, not membership of a political union. The labour market is dynamic, and there will be a substantial churn of jobs at any given time.

Is there a Brexit conclusion emerging yet? Yes – Brexit would mean a significant change to payments to farmers. Parliamentary freedom to reduce government's annual contribution to agriculture would be hard to resist in the face of chronic financial shortages within such important and vote winning areas as the NHS. Would it be instant? Unlikely, but staying in Europe would mean less or very slow change. Brexit trade would be affected by the trade agreements government negotiates but arguments for growth look positive in or out. Labour flows would change but not to the detriment of our industry. If we can discount the effect on trade and labour to something that would change but not materially in the longer term, Brexit as an issue comes straight down to subsidies and what Brexit means to payments. Back at the family meeting can you manage that change?

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